

04-CV-00289-RPL.Y

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Honorable Marsha Pechman

AT SEATTLE
CLERK U.S. DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON

**UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
SEATTLE DIVISION**

SKY MORTGAGE, INC., a Washington
corporation,

Plaintiff,

vs.

SKY BANK, INC., a Washington corporation;
SCOTT RERUCHA; TONY ICASIANO, and
JEFFERY LOW, individuals

Defendants.

No. CO4 0289 P

**REPLY OF DEFENDANTS TO
PLAINTIFF'S MOTION FOR
SUMMARY JUDGMENT**

**NOTE ON MOTION
CALENDAR: 04/09.04**

**ORAL ARGUMENT
REQUESTED**

Sky Mortgage offers insufficient evidence to support the injunctive relief it seeks. Sky Mortgage substitutes anxiety for analysis. It substitutes emotion for evidence. Sky Mortgage fails to recognize the clear and obvious distinction between an entity describing itself as a "bank" and an entity describing itself as a "mortgage" provider.

Sky Mortgage fails to take into account that it has, and indeed claims, no ownership interest in the word "Sky" standing alone. Sky Mortgage also fails to take into account the numerous examples in the Seattle Metropolitan and Eastside King

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ORIGINAL

1 County areas where banks and mortgage companies have the same fanciful lead name,
2 i.e., Cascade, City, Columbia, Sterling, Evergreen, Horizon, United and Viking. All of
3 these fanciful names precede the names of both banks and mortgage companies listed
4 in the yellow pages for the Seattle Metropolitan and Bellevue Eastside. Other similar
5 fanciful names are found on banks and mortgage companies in Western Washington
6 and in Portland.

7 Sky Bank, for evidence of "actual confusion", relies upon a very few instances
8 where hearsay or unfounded instances of actual confusion are claimed to have
9 occurred. However, in each case, the few instances occurred at a time with Sky Bank
10 did not have an official state charter, had no advertising, no signs, no location under its
11 name, no telephone listings and no address, and had not been engaged in business.
12 Under those peculiar circumstances, the few instances relied on by Sky Mortgage do
13 not support its claim of the existence of actual confusion.

14 In short, with an unlimited amount of time to gather evidence and prepare for this
15 motion, Sky Mortgage has submitted nothing of substance to support its claim of
16 confusion or potential confusion. On the other and, Sky Bank in the three weeks
17 allowed it to respond, provides creditable expert testimony establishing an absence of
18 risk of confusion in the marketplace. Sky Bank presents the expert testimony of Mr.
19 James Hebert, president and owner of Hebert Research, Inc., Bellevue, Washington, a
20 well-known and long established market research company, demonstrating that the risk
21 in the appropriate marketplace was thoroughly studied under professional, statistical
22 and marketing analysis standards, and concluding that the risk of confusion is virtually

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1 nil. Erik V. Peterson has been in the advertising, marketing, and public relations
 2 business for more than 35 years. He has owned an advertising and marketing agency,
 3 has been employed by advertising and marketing agencies and currently is self-
 4 employed conducting a public relations and marketing consulting business in King
 5 County, Washington. Mr. Peterson has examined all of the factual background and
 6 information claimed by Sky Mortgage to create a risk of confusion and finds it wanting,
 7 concluding that the risk of confusion in the appropriate marketplace is slight.

8 Scott Rerucha testifies that he is the President and CEO of the corporation
 9 formed to establish Sky Bank. Mr. Rerucha testifies to his many years in the
 10 commercial banking and the residential mortgage loan lending business in this area.
 11 Mr. Rerucha testifies that based on his experience, he sees no risk of confusion in the
 12 public between the services offered under the name "Sky Bank" and those offered
 13 under the name "Sky Mortgage".

14 SUMMARY OF FACTS

15 What follows is a summary of each declaration submitted by Sky Bank in
 16 response to the Sky Mortgage motion for summary judgment:

17 1. James Hebert Declaration: Mr. Hebert is employed as president and CEO
 18 of Hebert Research, Inc., Bellevue, Washington. Hebert Research has been in
 19 business for over 25 years and is a privately held market research firm engaged in
 20 providing statistical research to a wide range of organizations. Included in that research
 21 is marketing research. Hebert Research has performed services for many large
 22 corporations, including some large and small local banks. Mr. Hebert has qualified as

1 an expert witness in the United States District Court for the Western District of
2 Washington.

3 Following well-recognized statistical sampling and marketing analysis standards,
4 which Mr. Hebert outlines in his declaration and summarizes in his report attached to his
5 Declaration, Hebert Research, Inc., performed a statistically appropriate and meaningful
6 survey of the appropriate "universe" or population to be sampled (consisting of 39,000
7 households in the census tracts in Bellevue, Washington) by randomly selecting from
8 that census population approximately 4,000 households. From that selection, Hebert
9 Research, Inc. further reduced the core to be contacted to approximately 400
10 households. From that core, Hebert Research, Inc. successfully contacted 55% of the
11 selected universe at random and conducted a survey questionnaire of slightly in excess
12 of 200 of those randomly selected members of the population.

13 Mr. Hebert testifies that the results of his study, performed to all appropriate
14 marketing survey standards and statistical standards, showed that the risk of confusion
15 between persons seeking residential mortgage loans from the names "Sky Bank" and
16 "Sky Mortgage" is so minimal as to be "nil".

17 2. Erik V. Peterson Declaration: For more than 35 years, Erik V. Peterson,
18 has engaged in the communication and marketing support business as a public
19 relations counselor and public relations agency owner in the Northwest, California, and
20 Alaska. He has led a number of public relations agencies and currently is the sole
21 proprietor, with his wife, of a public relations and marketing consulting firm in King
22

1 County. Mr. Peterson has had extensive advertising and marketing experience in the
2 State of Washington.

3 Mr. Peterson compared the proposed logo of Sky Bank to the logo used by Sky
4 Mortgage, and found (as appears obvious to the lay person) no risk of confusion. Each
5 mark is easily distinguishable from the other. The logos are attached to the Declaration
6 of Mr. Peterson. Mr. Peterson reviewed the yellow page listing for "Banks" and for "Real
7 Estate Loan & Contracts" under the Seattle Metropolitan and Bellevue Eastside Q-West
8 yellow pages. He found that there were a significant number of examples of fanciful
9 names used by both banks and mortgage companies listed in the yellow pages, in many
10 cases listed back-to-back in the "Real Estate Loans & Contracts" section. Mr. Peterson
11 cites as examples, among others, Cascade Bank/Cascade Mortgage, City Bank/City
12 Mortgage, Columbia Bank/Columbia Mortgage, Evergreen Bank/Evergreen
13 Moneysource Mortgage Company, Horizon Bank/Horizon Mortgage & Investment
14 Company, Pacific Northwest Bank/Pacific Northwest Capital/Pacific Northwest
15 Mortgage Services, Mount Rainier National Bank/Rainier Mortgage Investment
16 Corporation/Rainier Mortgage, Sterling Savings Bank/Sterling Mortgage, United Savings
17 & Loan Bank/United Mortgage, Viking Community Bank/Viking Mortgage Services, Inc.
18 Mr. Peterson also knows other examples of same fanciful names for banks and
19 mortgage services in other areas in the Puget Sound region and in Portland. Mr.
20 Peterson notes the obvious; that is, Sky Mortgage and Sky Bank have different
21 "identifiers" attached to the word "Sky". These identifiers clearly distinguish the two
22 types of business and clearly identify the areas of focus or expertise of each. Mr.

1 Peterson also states the obvious in regard to the fact that when formed, Sky Bank and
2 Sky Mortgage will have different addresses, different telephone numbers, and different
3 logos.

4 Mr. Peterson viewed the Kevin MacPherson Declaration submitted by Sky
5 Mortgage and notes that at paragraph 9, Mr. MacPherson states that the Sky Mortgage
6 business is generated equally from "leads from real estate agents," and from "existing
7 and former customers". Peterson testified that given this very personal source of
8 business and given the fact that Sky Mortgage does not advertise in the yellow pages
9 other than the standard one-line listing (with no prominence given to it, and no color or
10 increased size) and given the fact that Sky Mortgage is located on the fourth floor of a
11 downtown Bellevue office building, the risk of confusion in the customers likely to use
12 the services of Sky Mortgage and those members of the public likely to use Sky Bank, is
13 non-existent.

14 Mr. Peterson comments on the claims of "actual confusion". He observes that at
15 the time of the claimed confusion, Sky Bank did not have an office, did not have a sign,
16 did not have advertising, did not have an address, did not have a telephone listing, and
17 did not have business cards or other indica of its identity and location. Mr. Peterson
18 concludes that when Sky Bank is able to conduct business, and further distinguish itself
19 in the marketplace, the likelihood of confusion with people communicating with or
20 contacting either of the two entities is extremely slim.

21 Peterson observes that the people seeking residential mortgage loans are
22 generally sophisticated enough to be able to distinguish between the many services

1 provided by a commercial bank such as Sky Bank, and those provided by a residential
2 mortgage specialist such as Sky Mortgage. Peterson observes that there are 176
3 listed names on an internet search he conducted with the word "Sky" as part of the
4 business name. While Sky may be fanciful, it is not so absolutely unique as to mislead
5 a potential customer into thinking there can be only one business in the area with the
6 word "Sky" in it.

7 3. Declaration of Scott Rerucha: Scott Rerucha is president and majority
8 shareholder of Fortune Services, Inc., a Washington corporation formed to obtain a
9 license from the State Department of Financial Institutions to form Sky Bank. Mr.
10 Rerucha testifies that he was completely unaware of Sky Mortgage at the time he
11 selected the name and submitted the applications to the State and Federal authorities
12 for incorporation and licensing of a bank in the State of Washington under the name and
13 style of "Sky Bank". He testifies that he did not learn of the existence of Sky Mortgage,
14 notwithstanding his many years of mortgage lending activities in this area, until some
15 months after he had made submissions to the federal and state government for
16 licensing under the name "Sky Bank". Rerucha testifies that he has been in the
17 commercial banking and the savings and loan business and the residential lending
18 brokerage business for over 15 years in the State of Washington and that in the last 2
19 years, he was actively engaged in the residential loan business in King County.

20 Mr. Rerucha testifies that the breadth of services to be offered by Sky Bank as a
21 commercial bank exceeds by many magnitudes the limited niche services offered by
22 Sky Mortgage. Sky Mortgage is unable to offer checking accounts, savings accounts,

1 safe deposit boxes, auto loans, credit lines, credit cards, commercial loans, inventory
2 financing, accounts receivable financing, letters of credit, and the myriad of services that
3 commercial banks are allowed to offer under current law. To the contrary, Sky
4 Mortgage is allowed to do one thing only, and that is act as a go-between between
5 prospective residential borrowers and sources of funds to help them complete a loan
6 transaction. While Sky Bank does, indeed, intend to engage in residential mortgage
7 lending as a part of its banking activity, unlike Sky Mortgage it will generally do so using
8 its own funds (therefore originating the loans in its office rather than simply acting as its
9 broker). Only in isolated cases, will Sky Bank act in the capacity of a broker.

10 Mr. Rerucha testifies to his experience as showing that the likelihood of customer
11 confusion over the services offered by a commercial bank such as Sky Bank and those
12 offered by a mortgage brokerage, are non-existent. Mr. Rerucha also comments on the
13 statement in the Kevin MacPherson Declaration showing that the sources of business
14 for Sky Mortgage comes from real estate agents and brokers (who presumably know
15 how to direct their clients to Sky Mortgage), and the other half comes from existing or
16 former customers (who presumably know how to find Sky Mortgage and not confuse it
17 with Sky Bank). Mr. Rerucha comments on the lack of advertising for Sky Mortgage
18 business as demonstrating that Sky Mortgage is well known to its customer base to the
19 point where it does not need to advertise. On the other hand, Sky Bank, being a newly
20 formed entity servicing many needs of the public, will advertise the specific nature of its
21 services to the public, further eliminating any risk of confusion between the two entities'
22 business activities. Rerucha, being a former mortgage broker himself, testifies that

1 mortgage brokers operate very much like independent contractors who attempt to
2 establish their own personal client base through promoting their own name, rather than
3 the company name such as "Sky Mortgage". Given the type of business Sky Mortgage
4 depends on, the way that business is established on a personal level, the lack of
5 advertising and the fourth floor location of Sky Mortgage, and the huge difference in the
6 types of business to be conducted by Sky Bank and Sky Mortgage, the risk of confusion
7 does not exist.

8 Finally, Rerucha testifies that in his many years of experience in residential
9 mortgage lending and in banking in general, he knows that prospective borrowers for
10 residential mortgage loans are usually sophisticated people who are capable of having
11 assets and income sufficient to support a mortgage loan, who are able to read and
12 understand language, and who are heavily involved in paperwork leading up to
13 completion of a residential mortgage loan. Engaging in business with a provider of
14 residential mortgage loan services is not a "snap" decision". Rather, it is a decision that
15 is often protracted and entered into with care further eliminating the risk of customer
16 confusion.

17 4. Declaration of Barry Thom: Barry Thom, an employee of Pinnacle Mortgage,
18 anticipates joining Sky Bank when it is authorized to conduct business. Mr. Thom
19 disagrees with the Declaration of Mr. Jeff Tisdale submitted by Sky Mortgage. Mr.
20 Thom states that his encounter with Mr. Tisdale at Home Depot in October of 2003,
21 was innocuous and did not result in any strong words or tension.
22

1 Mr. Thom recounts that several days after his meeting with Mr. Tisdale, he had a
2 telephone call from him, where Mr. Tisdale wanted to know more particulars about the
3 future "Sky Bank". At that time, the conversation became somewhat heated. The
4 importance of Mr. Thom's Declaration lies in the fact that it was not until long after the
5 application process using the name Sky Bank had been underway, that the encounter
6 between Tisdale and Thom took place.

7 5. Supplemental Declaration of Greg Schmidt: Greg Schmidt submitted a
8 declaration in support of the Sky Mortgage motion. Since Greg Schmidt is mutually
9 acquainted with both plaintiff and defendant in this case, Scott Rerucha contacted Mr.
10 Schmidt and told him what his declaration said, and asked Mr. Schmidt if he considered
11 that to be an accurate statement of events. Mr. Schmidt submitted a correcting
12 declaration as part of the Sky Bank material in which he described his conversation with
13 Scott Rerucha as inquiring whether Mr. Rerucha knew that there was a Sky Mortgage
14 and Mr. Rerucha responded "that is the first time I have heard of a Sky Mortgage.
15 Maybe they can work with me or we can work together."

16 Mr. Schmidt testifies in his supplemental declaration that he does not recall when
17 this conversation took place, and he specifically does not recall that it took place within
18 a month of the time that Mr. Rerucha left Bay Mortgage. He says he simply does not
19 know when the conversation took place. The importance of this declaration is that it
20 shows that Mr. Schmidt is unable to support the claim of Sky Mortgage that Sky Bank
21 proceeded in the face of knowledge of the existence of Sky Mortgage in the adoption of
22 the name of Sky Bank for its new banking organization.

ARGUMENT/LEGAL AUTHORITY

1. PRELIMINARY INJUNCTION STANDARDS ARE NOT MET HERE.

Traditionally, a court may issue a preliminary injunction if it determines that (1) a moving party will suffer irreparable injury if the relief is denied; (2) the moving party will probably prevail on the merits; (3) the balance of potential harm favors the moving party; and depending on the nature of the case, (4) the public interest favors relief.

Cassim v. Bowen, 824 Fed.2d 791, 795 (9th Cir.1987); International Jensen Inc., v. Metrosound USA, Inc., 4 Fed.3d 819 (9th Cir.1993).

Alternatively, a moving party may meet its burden by demonstrating *either*, (1) a combination of probable success on the merits and the possibility of irreparable injury if relief is not granted; or (2) the existence of serious questions going to the merits and that the balance of hardships tips sharply in its favor. The alternative standards "are not a separate test but the outer reaches of a single continuum." Regents of University of California v. American Broadcasting Company Cos., 747 Fed.2d 511, 515 (9th Cir. 1984).

Sky Mortgage fails to meet the standard of likelihood of success on the merits. As will be demonstrated below, using the tests applicable to trademark/tradename confusion claims, Sky Mortgage cannot show a likelihood of success on the merits. Moreover, Sky Mortgage has failed to show any likelihood of irreparable harm, given the nature of its niche "market" and its very limited "marketing channel" (a limited number of privately contacted real estate agents and brokers, or former customers or referrals from former customers).

Sky Mortgage has also failed to demonstrate by any creditable evidence the existence of a risk of loss of business when Sky Bank opens. Sky Mortgage simply fails to show a likelihood of success on the merits in establishing a reasonable probability of confusion in the applicable customer market of the names "Sky Bank" and "Sky Mortgage".

2. SUMMARY JUDGMENT STANDARDS CANNOT BE MET BY PLAINTIFF

HERE. Given the paucity of evidence showing support for its propositions, Sky Mortgage simply cannot show the absence of genuine issues of material fact. Indeed, Sky Bank has shown through creditable lay and expert witnesses that there is no probability of success on the merits, and that genuine issues of material fact do exist as to the likelihood or probability of confusion. Application of the "Sleekcraft" principles (below) demonstrates that summary judgment is inappropriate in this case on the facts presented by the parties.

3. APPLICATION OF THE "SLEEKCRAFT" GUIDELINES DOES NOT SUPPORT

THE RELIEF SOUGHT. This court is not a stranger to trademark/tradename litigation under the Federal Lanham Act, or Washington State law. This court had occasion to examine the "Sleekcraft" principles and apply them recently in Playmakers v. ESPN, Inc., 297 Fed.Supp.2d 127(W.D. Wash.2003).

The eight-factor test for likelihood of confusion set out in Sleekcraft establishes factors that are described as "pliant" in relation to relative importance. The relative importance of the individual factors will be case-specific. Brookfield Communications, Inc. v. West Coast Entertainment Corporation, 174 Fed.3d 1036, 1053 (9th Cir. 1999).

1 Analyzing the Sleekcraft factors here, demonstrates that the Sky Mortgage motion
2 should be denied.

3 A. Strength of Senior Mark. Establishing seniority of a mark (conceded here
4 by Sky Bank) is only half the battle. The senior mark holder must also show that the
5 public is likely to be somehow confused about the services rendered by the two entities.
6 Brookfield, supra, at p.1052. While the word "Sky" in relation to residential mortgage
7 lending or commercial banking is fanciful, the frequency with which the word "Sky" is
8 found in business names in the State of Washington (Peterson Declaration, paragraph
9 16), 176 names in the State of Washington incorporating the word "Sky", suggests that
10 customers are not likely to view the word as so unique as to lead to one business only.
11 Extensive third-party use of the word "Sky" is impressive evidence that there would be
12 no likelihood of confusion. Sun Banks of Florida v. Sun Federal Savings and Loan
13 Association, 651 Fed.2d 311, 317 (5th Cir. 1981).

14 While the word "Sky" may be strong, it is used in conjunction with either
15 "mortgage" or "bank" by the parties. "Sky" itself is meaningless (therefore fanciful)
16 however, the following word aptly distinguishes the services performed. As shown by
17 the Hebert Research survey results, the likelihood of confusion in the customer
18 marketplace is virtually nil. As shown by the expert testimony of Erik Peterson, the
19 likelihood of confusion is slight to none. Peterson notes that there are numerous banks
20 and mortgage companies in the yellow pages with similar names including, Cascade
21 Bank/Cascade Mortgage, City Bank/City Mortgage, Columbia Bank/Columbia Mortgage,
22 Evergreen Bank/Evergreen Moneysource Mortgage Company, Horizon Bank/Horizon

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1 Mortgage & Investment Company, Pacific Northwest Bank/Pacific Northwest
 2 Capital/Pacific Northwest Mortgage Services, Mount Rainier National Bank/Rainier
 3 Mortgage Investment Corporation/Rainier Mortgage, Sterling Savings Bank/Sterling
 4 Mortgage, United Savings & Loan Bank/United Mortgage, Viking Community
 5 Bank/Viking Mortgage Services, Inc. These similar listings, along with the even greater
 6 multitude of companies with "Sky" in their names, indicates that the name is weak and
 7 does not hold up well. Seattle Endeavors, Inc. v. Mastro, 123 Wn.2d 339, 343, 345
 8 (1994).

9 Take, for example, a well known company, Princess Cruise Lines, then suppose
 10 that Foss Maritime elects to change its name to "Princess Tug and Barge Lines". Each
 11 company name has the word "Princess" beginning the name, obviously a fanciful word.
 12 However, can it be reasonably argued that a customer seeking cruise line services
 13 would be confused by the existence of "Princess Tug and Barge"? The other way
 14 around, could it reasonably be argued that a person or company seeking cargo hauling
 15 business would look to "Princess Cruises" instead of "Princess Tug and Barge" for that
 16 service? This example shows that while the first word in the name may be fanciful and
 17 hence "strong", the context of the entire name can readily distinguish the businesses
 18 involved and avoid customer confusion. That is the teaching of the survey of Hebert
 19 Research, Inc. and the testimony of Erik V. Peterson. When two products are part of
 20 distinct sectors of a broad product category, they can be sufficiently unrelated that
 21 consumers are not likely to assume the product originate from the same mark.
 22

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1 Checkpoint Systems, Inc. v. Checkpoint Software Technologies, Inc., 269 Fed.3d 270,
 2 286, 288 (2001).

3 By isolating the word "Sky" and treating it as the "mark", Sky Mortgage fails to
 4 take into account the fact that its entire tradename readily distinguishes its services from
 5 those of a commercial bank such as Sky Bank. As shown by the evidence offered by
 6 Sky Bank in this proceeding, customer confusion between a mortgage company and a
 7 commercial bank does not exist, even if preceded by the word "Sky". Historically, if a
 8 person wants a residential real estate mortgage, do they call a mortgage company or do
 9 they call a commercial bank? Conversely, if a person wants a commercial banking
 10 service, do they call a mortgage company or a commercial bank? Failure of Sky
 11 Mortgage to consider the entire tradename of both entities is fatal to its argument of
 12 claimed seniority and strength. MB Financial Bank, N.A. v. MB Real Estate Services,
 13 LLC, 2003 WL 21462501 (N.D.ILL.); MB Financial Bank, N.A. v. MB Real Estate
 14 Services, LLC, 2003 WL 2765022 (N.D.ILL.)

15 B. Proximity Of The Services Is Not Established. Sky Mortgage, by its own
 16 admission, deals only in the brokering (not banking) of residential real estate
 17 mortgages. It has a very limited market source or customer base, that of real estate
 18 agents and brokers, and former customers and referrals. Sky Bank, on the other hand,
 19 will provide a multitude of services, including residential mortgage services, but will not
 20 have in its name, any specific reference to that component of its services. Market
 21 testing and expert testimony presented by Sky Bank shows that the risk of confusion is
 22 virtually zero. Sky Mortgage has relied simply on guess and conjecture. The only

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1 relation between the services offered by Sky Mortgage and Sky Bank is residential
 2 mortgage services which are clearly identified in the Sky Mortgage name, and which are
 3 not spoken to at all in the Sky Bank name. Sky Bank will offer residential mortgage
 4 services, but only as part of a much larger umbrella of services. This minimal overlap
 5 does not contribute to confusion. MB Financial, 2003 WL 21462501 (N.D.ILL.), p. 12.

6 Market testing has shown that the services rendered by Sky Mortgage and to be
 7 rendered by Sky Bank are not identical, and are not related in the minds of consumers.
 8 Levi Strauss & Co., v. Bluebell, Inc., 778 Fed.2d 1352, 1363 (9th Cir. 1985). The lack of
 9 advertising effort by Sky Mortgage shows that it depends on a very narrow niche, and
 10 that that niche will not be confused by the existence of a commercial bank known as
 11 "Sky Bank". The products offered by Sky Mortgage and Sky Bank only slightly overlap.
 12 Given the plethora of banks and mortgage companies having the same fanciful name
 13 and doing business side-by-side in King County, it is not surprising that Hebert
 14 Research came up with the market study results it did.

15 The evidence at this stage of the proceedings simply cannot support a finding
 16 that the goods and services offered by the plaintiff and defendant are sufficiently
 17 "proximate" to justify emergency equitable injunctive relief.

18 C. The Similarity Of The Marks Is Slight. The logos used by the two
 19 companies are distinct and very different. This can be seen from the Peterson
 20 Declaration and the logos of Sky Bank and Sky Mortgage attached. It is important to
 21 remember that the marks must be considered in their entirety. Playmakers, LLC v.
 22

1 ESPN, Inc., 297 F.Supp. 1277, 1282 (W.D. Wash. 2003). This means looking at the
2 name and the logo.

3
4 The name, as discussed above, while using "Sky" in both, totally distinguishes
5 the services offered by each. One is offering "mortgages", the other is offering
6 "banking". Nothing in the name Sky Bank states or even infers that it deals in
7 residential mortgages. MB Financial Bank, 2003 WL 21462501 (N.D.ILL.), p. 12. This is
8 true as to both the sight and sound of the names.

9 With respect to the logo, Sky Mortgage has a house profile interspersed in its
10 name, Sky Bank has two half circles with polar arrows. There is no visual identity in
11 logos and no confusing identity in names when the logos and entire name are
12 considered in the relevant marketplace. As this court noted in Playmakers, while the
13 names contained within the marks are somewhat similar the marks as used in the
14 marketplace are very different. See, Declaration of Erik V. Peterson. It does not
15 require a deconstructionist analysis of the logos to see that the marks are so visually
16 different as to be readily distinguishable by even the most easily confused of individuals.

17 D. There Is No Creditable Evidence Of Actual Confusion. As noted above,
18 the evidence of actual confusion consists of hearsay, speculation, conjecture, and is
19 completely without foundation. Defendant moves to strike the Declarations of
20 MacPherson, Schmidt and Tisdale, insofar as each declaration testifies with respect to
21 communications with third parties. The foundation is simply insufficient. Moreover, the
22 speculation regarding the mis-addressed envelope is also fatally flawed and should be
stricken by the court.

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1 A true test of confusion in the actual marketplace could only be had when Sky
 2 Bank is in existence legally, operating, has phone listing and advertising, has an office,
 3 has a sign on the building, and other indicia of existence. The claimed "confusion"
 4 attempted to be offered by Sky Mortgage in its declarations is so minimal and
 5 unsupportable as to deserve rejection as an element supporting its claim. Evidence of
 6 actual confusion should only be considered if it is supported at the summary judgment
 7 stage by admissible evidence. *Postscript Enterprises v. City of Bridgeton*, 905 Fed.2d
 8 223, 226 (6th Cir. 1990); *Duluth News-Tribune v. Mesabi Publishing Company*, 84
 9 Fed.3d 1093, 1099 (8th Cir. 1996). The evidence claimed to support actual confusion in
 10 the present case is inadmissible and should be rejected and defendant moves to strike
 11 all testimony of claimed communications with declarants, either written or verbal, on that
 12 basis. *De-minimus* evidence of actual confusion does not establish the existence of a
 13 genuine issue of material fact regarding likelihood of confusion. Correspondingly,
 14 evidence of de-minimus actual confusion should not carry the day for Sky Mortgage.
 15 *Universal Money Centers, Inc. v. American Telephone & Telegraph Company*, 22
 16 Fed.3d 1527, 1536 (10th Cir. 1994).

17 E. The Parties Use Or Intend To Use Different Marketing Channels. In
 18 paragraph 9 of the Kevin MacPherson Declaration, Sky Mortgage has identified its
 19 marketing channels as being referrals from real estate brokers and agents (50%) and
 20 former clients and referrals (50%). Sky Mortgage has only a basic one line phone listing
 21 in the white and yellow pages. Sky Bank, on the other hand, has testified through Scott
 22 Rerucha, that its source of business will be advertising to the general public its services

1 as a commercial bank. No evidence has been offered by Sky Mortgage of any efforts to
2 advertise to the public its name, other than the one line standard yellow page listing in
3 the Seattle and Bellevue phone books. Sky Mortgage has not presented any evidence
4 of efforts to promote widespread recognition of its name, and probably is unable to do
5 so.

6 F. The Consumer Of Residential Mortgage And Commercial Banking Product
7 Is Sophisticated And Careful. There is no evidence presented that an ordinary person
8 having banking relationships or borrowing money for residential loans would be misled
9 by the names "Sky Mortgage" and "Sky Bank". The reverse is proven by the fact that
10 Hebert Research, Inc. has done a careful market survey according to all statistical
11 principles and has concluded that there is no risk of confusion. Erik Peterson, with
12 great experience in the advertising and public relations and marketing industry in this
13 area, similarly has opined that confusion will not arise in the consumers of the products
14 involved. Scott Rerucha, with 15 years of experience in banking and mortgage lending,
15 agrees that confusion will not arise.

16 People looking for residential mortgage loans have assets, have income, and are
17 able to fill out complicated loan application forms. Borrowing money for residential loan
18 purposes is not a "snap" decision. Borrowing money for residential loan purposes
19 requires substantial time and effort in forethought and careful form completion.

20 Users of commercial banking services are sufficiently sophisticated to have a
21 need for the services, either for business or personal purposes. They know how to
22 differentiate between companies. The multiple listings cited in the Declaration of Erik V.

1 Peterson attest to that. MB Financial, 2003 WL 21462501 (N.D.ILL.), p. 13. Sky Bank
 2 intends to focus on small business accounts and customers, but will engage in personal
 3 banking services, including residential mortgage loans. Nonetheless, the only evidence
 4 presented to the court at this time that is not speculative and emotional, is the expert
 5 testimony of Sky Bank witnesses to the effect that confusion will not be a problem for
 6 the seeker of the services of the parties to this action.

7 G. Consumer Care. Looking at the "typical buyer" of the products or services
 8 at issue, Flieschmann Distilling Corp. v. Maier Brewing Company, 314 Fed.2d 149, 156
 9 (9th Cir. 1963), the likelihood of confusion does not exist. The more expensive a good
 10 or service, the more likely a consumer will be exercise a greater amount of care in
 11 making the purchase. Sleekcraft, 599 Fed.2d at 353. The consumers of the products of
 12 plaintiff and defendant in this case are likely to exercise to great care in choosing a
 13 mortgage broker or in choosing a commercial banker. The risk of sloppy, or snap, or
 14 accidental decision making creating confusion in the consumer is non existent given the
 15 quality of the consumer and the seriousness of the transaction involved. First Western
 16 Savings Bank v. The First Western Bank of Sturgis, 636 N.W. 2d 454 (S.D., 2001).

17 H. Scott Rerucha Did Not Act In Bad Faith In Selecting The Sky Bank Name.
 18 The creditable evidence shows that Scott Rerucha selected the Sky Bank name prior to
 19 any knowledge of the existence of Sky Mortgage. Nonetheless, the selection of the
 20 name is not so offensive to common standards as to suggest that, even had he known
 21 of Sky Mortgage, Scott Rerucha would have been wrong to operate on the belief that
 22 there would be no infringement of the Sky Mortgage tradename by his use of Sky Bank.

1 Market studies and expert opinion offered by Sky Bank in this proceeding support that
2 reasonable conclusion.

3 I. There Is No Professed Likelihood Of Expansion Of Sky Mortgage
4 Services, And Non Are Planned In The Immediate Future For Sky Bank. There is no
5 evidence of a plan of expansion of the services of either plaintiff or defendant. While
6 both are located in Bellevue, each serves a much larger area of King, Pierce and
7 Snohomish Counties. Should either expand, the marketplace can easily absorb the
8 additional purveyor of the respective services, and the other factors analyzed
9 demonstrate that confusion between the two services, even in an expanded area, would
10 not exist.

11 4. THE SURVEY EVIDENCE IS ADMISSIBLE AND CREDITABLE. The survey
12 evidence offered by Hebert Research is admissible and is the type of evidence
13 frequently used in tradename/trademark litigation. Universal Money Centers, Inc. v.
14 AT&T, supra, at p.1535; Coherent, Inc. v. Coherent Technologies, Inc., 935 Fed.2d
15 1122, 1126 (10th Cir. 1991). All of the necessary ingredients for the acceptance of the
16 Hebert Research, Inc. survey evidence are present and established in this case. The
17 survey was made according to statistical principles and was made in a non-skewed and
18 unbiased fashion.

19 CONCLUSION

20 As stated in Brookfield Communications, Inc. v. West Coast Entertainment
21 Corporation, supra, at 1054:

"The core element of trademark infringement is the likelihood of confusion, i.e., whether the similarity of the marks is likely to confuse customers about the source of the products."

Sky Mortgage has failed to establish that it is likely to be able to show a likelihood of confusion, and therefore, the summary judgment and request for temporary injunction must be denied. Sardi's Restaurant Corp. v. Sardie, 755 Fed.2d 719, 723 (9th Cir. 1985). Evidence of confusion, assuming any creditable evidence was offered by Sky Mortgage, is so slight as to be immaterial. Actual confusion is only material to the outcome of a trademark/tradename dispute if evidence is presented of actual confusion by an appreciable number of ordinary consumers. Duluth News-Tribune v. Mesabi Publishing Company, *supra*, at 1100. The sophistication of the customer class of both businesses is such that confusion arising out of snap decisions is highly unlikely.

When considered as an entirety, "Sky Mortgage" and "Sky Bank" have descriptive words that are sufficient to prevent confusion. The word "Sky" is in both names, but the words "Bank" and "Mortgage" readily and obviously distinguish the services offered by the two entities.

"Whether an addition is sufficient to prevent confusion in a particular instance depends upon the strength of the main part of the mark and the distinctiveness of the additional feature."

3 Callmann, Law of Trademarks, Section 82.1(i) at 722.

In MB Financial Bank v. MB Real Estate Services, LLC, 2003 WL 21462501 (ND

III. 2003) the District Court faced many of the same arguments found in the present case where the first portion of a name is identical, yet the remainder of the name is dissimilar and the businesses operated by the two entities are only slightly related. In

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that case, at page 12 of the decision, the court notes two other cases dealing with banks having the same names with different modifiers. In both cases, the courts found no confusion. See, First Western Savings Bank v. The First Western Bank of Sturgis, 636 N.W. 2d 454 (S.D., 2001); Northern Trust Corp. v. Northern Bank & Trust Co., no. 89-3052-T, 1991 WL 346397 (D.Mass.1991). In the case cited, the court also found no confusion in spite of the existence of "slight similarities" of the parties' services, the court concluded that it did not think that the public would view the parties' services as similar and that:

"Real Estates' argument that a consumer is not likely to walk into a Real Estate to cash a check or into Bank to have a lease negotiated is well founded."

The MB Financial court concluded that the plaintiff, having established an area and manner of concurrent use between the parties' marks, and that the mark was strong, held that the plaintiff had failed to establish the remaining five factors in the likelihood of confusion analysis. The case is a very interesting description of the approach taken by a sister-court in the banking/real estate field. The MB Financial, decision was affirmed by the District Court at 2003 Westlaw, 22765022, on November 21, 2003. On review, the District Court concluded that the factors offered to show confusion were not persuasive and that preliminary injunctive relief should be denied plaintiff. Like the decision of this court in Playmakers, the MB Financial decision is very instructive and exhaustive on the issues and is closer in circumstance to the present situation than those relied on by Sky Mortgage.

1 The preliminary injunction and summary judgment sought by Sky Mortgage on
2 both State and Federal grounds (the State grounds being equally unsupportable for the
3 reasons argued above, NFL Properties, Inc. v. Wichita Falls Sportswear, Inc., 532
4 F.Supp. 651 (W.D. Wash. 1982)) should be denied. In a court of law, creditable
5 evidence should always trump guess and conjecture. The case should proceed to trial
6 on all issues.

7 RESPECTFULLY SUBMITTED this 5th day of April, 2004.

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